Lakeview Public Schools

Financial Statements

June 30, 2018

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Lakeview Public Schools
Members of the Board of Education and Administration
June 30, 2018

Administration

Karl Paulson	Superintendent
Katherine Konon	Director of Business Services
Shelly Bowie	Supervisor of Business

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Independent Auditors' Report

Management and the Board of Education
Lakeview Public Schools
St. Clair Shores, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakeview Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018 on our consideration of Lakeview Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakeview Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakeview Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
October 2, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Lakeview Public Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lakeview Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements for each of the District's funds. The Internal Service Fund and Fiduciary Fund statements present financial information about activities for which the District provides services to other funds and for which it acts solely as an agent or fiduciary for the benefit of students and parents, respectively.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds

Pension System Schedules

Reporting the District as a Whole - District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the District's financial documents, report information on the District as a whole and its activities in a way that helps the reader answer this question. These statements are prepared to include all assets and deferred outflows of resources and liabilities and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Further, these two statements report the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the Statement of Net Position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's purpose is to provide services to students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, expansion of programs or offerings, success of graduates, and the safety of the schools, to assess the overall health of the District. The Statement of Net Position and the Statement of Activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Report the District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about each of the District's funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes other funds to help it control and manage money for particular purposes (the Food Service Fund), or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The funds of the District use the following accounting approach:

Governmental Funds - Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are described in reconciliations on pages 4-6 and 4-9.

Proprietary Fund - Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The District established a proprietary fund, specifically an Internal Service Fund, to finance specific services provided to other funds of the District on a cost reimbursement basis. The specific services represent sick leave, accrued vacation benefits, and vision, dental, prescription benefits, and health benefits.

The District as Trustee - Reporting the District's Fiduciary Responsibilities

The District is the Trustee, or fiduciary, for student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and governmental and fiduciary fund financial statements. The notes to the financial statements can be found starting on page 4-15 of this report.

The District as a Whole (District-wide Financial Analysis)

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table I provides a summary of the District's net assets as of June 30, 2018 and 2017:

	Governmental Activities (in millions)	
	2018	2017
Assets		
Current and other assets	$ 13.2	$ 12.3
Capital assets	36.4	38.3
Total assets	49.6	50.6
Deferred Outflows of Resources		
Deferred charges on bond refunding	1.2	1.3
Related to the pension/OPEB plan	17.0	9.7
Total deferred outflows of resources	18.2	11
Liabilities		
Current liabilities	8.7	9.6
Non-current liabilities	110.6	88.9
Total liabilities	119.3	98.5
Deferred Inflows of Resources		
Related to the pension/OPEB plan	7.8	2.9
Net Position		
Invested in property and equipment, net of related debt	12.2	10.5
Restricted	0.4	0.4
Unrestricted (deficit)	-71.9	-50.7
Total Net Position	$ (59.3)	$ (39.8)

The above analysis focuses on the net position (see Table I). The change in net position (see Table II) of the District's governmental activities is discussed below. The District's net position was $(59,275,465) at June 30, 2018, which includes the inclusion of GASB Statement No. 68 and GASB Statement No. 75, whereby school districts must record the District's portion of the net pension and other postemployment benefits or OPEB liabilities of the State operated pension and healthcare plan. Capital assets, net of related debt totaling $12,130,092, compares the original cost, less depreciation of the District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of $451,517 is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations.

The $71,857,074 deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations, including the District's portion of the net pension and OPEB liabilities of the State's Michigan Public Schools Employees' Retirement System (MPSERS) pension plan.

The results of this year's operations for the District as a whole are reported in the Statement of Activities (see Table II), which shows the changes in net assets for fiscal years 2018 and 2017:

	Governmental Activities (in millions)	
	2018	2017
Revenue		
Program revenue:		
Charges for services	$ 1.4	$ 2.1
Federal grants and entitlements	1.8	1.7
State and local operating grants	7.4	6.3
General revenue		
Property taxes	6.4	5.8
Other revenue	0.1	-
State foundation allowance/grants	32.5	30.7
Total revenue	49.6	46.6
Functions/Program Expenses		
Instruction	29.2	27.4
Support services	14.1	12.9
Community services	1.0	0.9
Food services	1.2	1.1
Interest and fiscal charges on long-term debt	0.8	1.1
Depreciation (unallocated)	2.2	2.3
Total functions/program expenses	48.5	45.7
Change in Net Position	$ 1.1	$ 0.9

As reported in the statement of activities, the cost of all of our governmental activities this year was $48,573,826. Certain activities were partially funded from those who benefited from the programs totaling $1,391,811 or by other governments and organizations that subsidized certain programs with grants and contributions totaling $9,219,468. The District paid for the remaining "public benefit" portion of our governmental activities with $6,544,898 in local property taxes, $32,451,504 in State foundation allowance and other unrestricted grants, interest earnings of $4,727 and other revenue of $64,312.

The District experienced an increase in net position of $1,102,894. The increase in net position differs from the change in fund balance. A reconciliation appears on page 4-6.

As discussed above, the net cost shows the financial responsibility that was placed on the State and the District's taxpayers by each of these functions. Of these unrestricted general revenues, approximately 83% was from State Aid and 17% from property taxes. The Board of Education and Administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted resources.

The District's Funds

As we noted earlier, the District uses a fund accounting structure to help it control and manage money for particular purposes. Looking at each Fund helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for future spending.

As the District completed this 2018 fiscal year, the governmental funds reported a combined fund balance of $3,973,900, which is an increase of $1,754,737 from last year.

The General Fund ended 2018 with an increase of $1,346,291, resulting in a total fund balance of $2,902,904, of which $505,419 was non-spendable, with the remaining amount of $2,397,485 classified as unassigned.

The Food Service Fund had a net increase in fund balance of $92,941, closing the year with a total fund balance of $297,089.

The Debt Service Bond Fund had a net increase of $191,513, closing the year with a total fund balance of $613,862.

The Capital Projects Fund had a net increase in fund balance of $123,992, closing the year with a total fund balance of $160,045. The Capital Projects Fund resources are primarily Board-approved transfers from the General Fund allocated for technology purchases or building capital improvements.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the Budget be amended to ensure that expenditures do not exceed available funds to appropriate. The final amendment to the Budget was adopted slightly before year-end. A schedule showing the District's General Fund original and final budgeted amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Compared to 2017, overall revenue in 2018 increased by approximately $2.0 Million (up 5.0%), providing funds to hire additional teachers and fund capital, instructional, and technology updates. Overall expenses in 2018 increased approximately $1.2 Million (up 2.8%) compared to 2017. A portion of the increase in both revenue and expenses of $471,382, related to a state pass through of funds tied to accounting for State support of the managed retirement plan. Expenses also increased due to successful negotiation of several employee Master Agreement wage openers (three of four union groups). These settlements included the continuation of a structure that balances wage improvements to the level of new revenue. These innovative wage control structures are working as designed, allowing the District to deliver wage changes only if the revenue is available to support the change, and to grow fund balance consistently which has been a priority the past couple of years. The revenue increase due to additional state funding and additional students, coupled with medical benefit expense and discretionary expense decreases yielded growth to the General Fund balance, of $1.3 Million (up 86%), ending 2018 with $2.9 million available in fund balance going forward.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the District had $36,433,600 in capital assets (net of accumulated depreciation), representing a decrease of $1,901,892. The current-year additions totaled $338,962, offset by current-year depreciation expenses of $2,240,854.

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

Long-term Liabilities

At June 30, 2018, the District had $25,896,981 in long-term liabilities, versus $29,547,903 in the previous year. The activity associated with long-term liabilities in 2018 was an addition of a capital lease for copiers of $88,825 and principal payments associated with existing bonds and installment contracts. Other obligations include accrued vacation pay and sick leave.

Additional information on the District's long-term liabilities can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and Administration consider many factors when adopting the District's fiscal year Budget. One of the most important factors affecting the budget process is our student count and projected State revenue per pupil. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018-19 fiscal year is 10 percent of the February 2018 and 90 percent of the October 2018 student count. The 2018-19 Budget was adopted in May 2018 based on an estimate of students projected to be enrolled in September 2018. Approximately 85 percent of total General Fund revenue is from the foundation allowance and other forms of State Aid (known as "categorical" grants). Under State law, the District cannot assess additional property tax revenue for general operations (with limited exceptions). As a result, District funding is heavily dependent on the State's ability to fund local school operations. Various industries in the State of Michigan have benefitted from an improved economic environment, particularly the auto sector. A stronger State economic base has provided for improved State tax collections for schools (income, sales, and some property taxes); this also provided for small increases in the Student Foundation Allowance. Based on early enrollment data at the start of the 2018-19 school year, Administration anticipates that the fall student count will be higher than the estimates used in developing the 2018-19 Budget; this is a positive financial indicator going forward. Additionally, increases in State revenue per pupil that are expected is larger (at $183 per pupil) than when the budget was developed (assuming $50 per pupil); this is another positive financial indicator going forward.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 27575 Harper Ave., Saint Clair Shores, MI 48081.

BASIC FINANCIAL STATEMENTS

Lakeview Public Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash	$ 4,338,992
Investments	984,279
Taxes receivable	11,269
Accounts receivable	95,819
Due from other governmental units	7,213,924
Due from agency fund activities	6,426
Inventory	4,086
Prepaid items	520,389
Capital assets not being depreciated	115,900
Capital assets - net of accumulated depreciation	36,317,760
Total assets	49,608,844
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	15,511,731
Deferred amount relating to the net OPEB liability	1,534,655
Deferred amount on debt refunding	1,173,193
Total deferred outflows of resources	18,219,579
Total assets and deferred outflows of resources	67,828,423

Lakeview Public Schools
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	296,798
State aid anticipation note payable	3,185,715
Due to other governmental units	462,861
Payroll deductions and withholdings	1,008
Accrued expenditures	748,756
Accrued salaries payable	3,974,494
Unearned revenue	73,460
Long-term liabilities	
Due within one year	3,525,710
Due in more than one year	22,371,271
Net pension liability	63,158,765
Net OPEB liability	21,537,031
Total liabilities	119,335,869
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	7,039,910
Deferred amount relating to the net OPEB liability	728,109
Total deferred inflows of resources	7,768,019
Total liabilities and deferred inflows of resources	127,103,888
Net Position	
Net investment in capital assets	12,130,092
Restricted for	
Debt service	451,517
Unrestricted (deficit)	(71,857,074)
Total net position	$ (59,275,465)

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	$ 29,200,274	$ -	$ 7,443,895	$(21,756,379)
Supporting services	14,118,145	54,105	960,066	(13,103,974)
Food services	1,178,769	462,655	796,094	79,980
Community services	1,002,373	875,051	19,413	(107,909)
Interest and fiscal charges on long-term debt	833,411	-	-	(833,411)
Depreciation expense (unallocated)*	2,240,854	-	-	(2,240,854)
Total governmental activities	$ 48,573,826	$ 1,391,811	$ 9,219,468	(37,962,547)
General revenues				
Property taxes, levied for general purposes				2,354,125
Property taxes, levied for debt service				4,190,773
State aid - unrestricted				32,451,504
Interest and investment earnings				4,727
Other				64,312
Total general revenues				39,065,441
Change in net position				1,102,894
Net position - beginning, as restated				(60,378,359)
Net position - ending				$(59,275,465)

* - Depreciation expense is unallocated, therefore,
there was no direct depreciation charged to the various programs

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 3,201,551	$ 1,014,286	$ 4,215,837
Investments	256,168	728,111	984,279
Taxes receivable	5,262	6,007	11,269
Accounts receivable	94,597	1,222	95,819
Due from other funds	47,561	-	47,561
Due from other governmental units	7,204,279	9,645	7,213,924
Due from agency fund activities	6,426	-	6,426
Inventory	-	4,086	4,086
Prepaid items	505,419	-	505,419
Total assets	$ 11,321,263	$ 1,763,357	$ 13,084,620
Liabilities			
Accounts payable	$ 285,405	$ 11,393	$ 296,798
State aid anticipation note payable	3,185,715	-	3,185,715
Due to other funds	462,520	653,864	1,116,384
Due to other governmental units	462,861	-	462,861
Payroll deductions and withholdings	1,008	-	1,008
Accrued salaries payable	3,974,494	-	3,974,494
Unearned revenue	46,356	27,104	73,460
Total liabilities	8,418,359	692,361	9,110,720

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance			
Non-spendable			
Inventory	-	4,086	4,086
Prepaid items	505,419	-	505,419
Restricted for			
Food service	-	293,003	293,003
Debt service	-	613,862	613,862
Committed for capital projects	-	160,045	160,045
Unassigned	2,397,485	-	2,397,485
Total fund balance	2,902,904	1,070,996	3,973,900
Total liabilities and fund balance	$ 11,321,263	$ 1,763,357	$ 13,084,620

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	$ 3,973,900
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	115,900
Capital assets - net of accumulated depreciation	36,317,760
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,173,193
Deferred inflows of resources resulting from the net pension liability	(7,039,910)
Deferred outflows of resources resulting from the net pension liability	15,511,731
Deferred inflows of resources resulting from the net OPEB liability	(728,109)
Deferred outflows of resources resulting from the net OPEB liability	1,534,655
Internal Service Fund used by management to charge costs of self-insured dental, vision, and prescription claims. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	200,317
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(162,345)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities	
Net pension liability	(63,158,765)
Net OPEB liability	(21,537,031)
Bonds payable	(21,841,902)
Installment contracts payable	(3,562,000)
Capital lease payable	(72,859)
Net position of governmental activities	$ (59,275,465)

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 3,347,593	$ 4,630,128	$ 7,977,721
State sources	37,949,323	82,132	38,031,455
Federal sources	1,023,351	741,843	1,765,194
Interdistrict sources	1,922,993	146	1,923,139
Total revenues	44,243,260	5,454,249	49,697,509
Expenditures			
Current			
Education			
Instruction	27,781,083	-	27,781,083
Supporting services	13,431,976	-	13,431,976
Food services	-	1,121,479	1,121,479
Community services	953,655	-	953,655
Facilities acquisition	-	276,064	276,064
Debt service			
Principal	361,966	3,000,000	3,361,966
Interest and other expenditures	106,114	999,260	1,105,374
Total expenditures	42,634,794	5,396,803	48,031,597
Excess of revenues over expenditures	1,608,466	57,446	1,665,912

Lakeview Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Proceeds from capital leases	88,825	-	88,825
Transfers in	49,000	400,000	449,000
Transfers out	(400,000)	(49,000)	(449,000)
Total other financing sources (uses)	(262,175)	351,000	88,825
Net change in fund balance	1,346,291	408,446	1,754,737
Fund balance - beginning	1,556,613	662,550	2,219,163
Fund balance - ending	$ 2,902,904	$ 1,070,996	$ 3,973,900

Lakeview Public Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	$ 1,754,737
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(20,405)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,240,854)
Capital outlay	338,962
Internal service fund used by management to charge costs of self-insured dental, vision, and prescription claims. The net revenues (expenses) attributed to those funds are reported with governmental activities.	(384)
Expenses are recorded when incurred in the statement of activities.	
Interest	40,941
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual penson contributions.	
Net change in the net pension liability	(3,830,329)
Net change in deferrals of resources related to the net pension liability	1,677,927
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in the net OPEB liability	215,821
Net change in deferrals of resources related to the net OPEB liability	(337,685)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(88,825)
Repayments of long-term debt	3,361,966
Amortization of deferred amount on debt refunding	(185,570)
Amortization of premiums	416,592
Change in net position of governmental activities	$ 1,102,894

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Proprietary Fund - Internal Service Fund
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current assets	
Cash	$ 123,155
Due from other funds	1,068,823
Prepaid items	14,970
Total assets	1,206,948
Liabilities	
Current liabilities	
Accrued employee benefits	586,411
Accrued compensated absences	23,072
Total current liabilities	609,483
Noncurrent liabilities	
Accrued compensated absences	397,148
Total liabilities	1,006,631
Net Position	
Unrestricted	$ 200,317

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Proprietary Fund - Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Governmental Activities
Operating Revenue	
Charges for services	$ 4,547,671
Operating Expenses	
Worker's compensation claims	56,993
Other employee benefits	4,491,047
Other fees	15
Total operating expenses	4,548,055
Operating loss	(384)
Net position - beginning	200,701
Net position - ending	$ 200,317

Lakeview Public Schools
Proprietary Fund - Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2018

	Governmental Activities
Cash Flows from Operating Activities	
Claims paid	$ (4,548,055)
Collections from other funds	4,548,092
Net cash provided by operating activities	37
Cash at Beginning of Year	123,118
Cash at End of Year	$ 123,155
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	(384)
Adjustments to reconcile operating loss to net cash provided by operating activities - changes in assets and liabilities:	
Accounts receivable	6,500
Due from other funds	378,052
Prepaid expenses	(2,970)
Accrued employee benefits	(419,971)
Accrued compensated absences	38,810
Net cash provided by operating activities	$ 37

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and investments	$ 50,106	$ 267,197
Interest receivable	-	959
Total assets	50,106	$ 268,156
Liabilities		
Accounts payable	-	909
Due to other funds	-	6,426
Due to student activities	-	260,821
Total liabilities	-	$ 268,156
Net Position		
Assets held for scholarships and loans	$ 50,106	

See Accompanying Notes to the Financial Statements

Lakeview Public Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Private Purpose Trust Funds
Additions	
Local sources	$ 50,100
Interest and investment earnings	21
Total additions	50,121
Deductions	
Fees	15
Change in net position	50,106
Net position - beginning	-
Net position - ending	$ 50,106

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Lakeview Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district–wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds includes the Food Service Fund.

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to record transactions related to the expenditures for the renovation and expansion of the School District buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes. The Private Purpose Trust Funds are funds entrusted to the School District for scholarship awards.

Proprietary Fund – Internal Service Fund – The Internal Service Fund is used to account for risk management services provided to other funds/departments of the district on a cost-reimbursement basis. This fund also accounts for earned but unused accumulated vacation and sick leave benefits as well as vision, dental, and prescription benefits and self-insured health benefits.

Assets, Liabilities and Net Position or Equity

Cash and Investments – Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per $ 1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.99000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. 100% of the School District's tax roll lies within Macomb County

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased, rather than when consumed.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the purchase method, and they therefore are expensed when paid in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $ 5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using various depreciation methods over the following useful lives:

Land improvements	20 years
Buildings and improvements	25-50 years
Equipment and furniture	7-20 years
Buses and other vehicles	7-15 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – In accordance with contracts negotiated with the various employee groups of the district, individual employees have vested rights upon termination of employment to receive payment for unused vacation and compensatory leave under formulas and conditions specified in the contracts. The district transfers assets to the internal service fund as benefits are earned at the maximum possible payout amount. The liability in the internal service fund is recorded when the benefits vest at the expected payout.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

> Non-spendable – amounts that are not available in a spendable form.
>
> Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.
>
> Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

Expenditures in excess of legally adopted levels are a violation of the State of Michigan Uniform Budgeting and Accounting Act. For the year ended June 30, 2018, the School District had the following expenditure variances from the budget:

Function	Final Budget	Amount of Expenditures	Budget Variance
General Fund			
Business	$ 582,199	$ 659,788	$ 77,589
Community services	949,423	953,655	4,232

The business variance was a result of expenditures being planned to be expended in a different function, but was later moved to the business function.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 4,338,992	$ 317,303	$ 4,656,295
Investments	984,279	-	984,279
	$ 5,323,271	$ 317,303	$ 5,640,574

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 5,258,996
Investments in securities, mutual funds, and similar vehicles	381,578
Total	$ 5,640,574

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	$ 381,578	< 60 days	AAAm	Standard & Poor's

Interest rate risk – The School District's minimizes interest rate risk by structuring investments only in money market mutual funds, the Michigan Liquid Asset fund, and cash investments.

<u>Credit risk</u> – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy that would further limit its investment choices.

<u>Concentration of credit risk</u> – The School District has no policy that would limit the amount that may be invested with any one issuer.

<u>Custodial credit risk – deposits</u> – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, $ 5,330,876 of the School District's bank balance of $ 5,830,876 was exposed to custodial credit risk because it was uninsured and uncollateralized.

<u>Custodial credit risk – investments</u> – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2018:

Amounts invested in MILAF + Portfolio of $ 381,578. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 115,900	$ -	$ -	$ 115,900
Capital assets being depreciated				
Land improvements	5,900,416	-	-	5,900,416
Buildings and improvements	57,949,723	148,675	-	58,098,398
Equipment and furniture	7,108,116	190,287	-	7,298,403
Buses and other vehicles	49,143	-	-	49,143
Subtotal	71,007,398	338,962	-	71,346,360
Less accumulated depreciation for				
Land improvements	3,275,472	288,093	-	3,563,565
Building and improvements	23,547,382	1,598,203	-	25,145,585
Equipment and furniture	5,917,481	354,558	-	6,272,039
Buses and other vehicles	47,411	-	-	47,411
Total accumulated depreciation	32,787,746	2,240,854	-	35,028,600
Net capital assets being depreciated	38,219,652	(1,901,892)	-	36,317,760
Net capital assets	$ 38,335,552	$ (1,901,892)	$ -	$ 36,433,660

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical. Unallocated depreciation expense, as reported on the statement of activities, does not include direct depreciation expense of the various programs.

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor funds	Internal Service Fund	$ 606,303
General Fund	Internal Service Fund	462,520
Nonmajor funds	General Fund	47,561
		$ 1,116,384

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	$ -	$ 49,000	$ 49,000
Nonmajor funds	400,000	-	400,000
	$ 400,000	$ 49,000	$ 449,000

Transfers from the General Fund to nonmajor funds were to provide resources for capital project activities. Transfers from nonmajor funds to the General Fund were for indirect charges incurred.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Prepaid lunch fees	$ 21,097
Delinquent property taxes	6,007
Grant and categorical aid payments received prior to meeting all eligibility requirements	46,356
Total	$ 73,460

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 3,827,802	$ 4,900,000	$ 5,542,087	$ 3,185,715

The state aid anticipation note agreement includes an irrevocable set-aside of $ 1,714,286 at year end that is considered defeased debt and not included in the ending balance.

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, installment contracts, claims and judgments, capital leases, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 22,480,000	$ -	$ 3,000,000	$ 19,480,000	$ 3,115,000
Installment contracts	3,908,000	-	346,000	3,562,000	370,819
Capital leases	-	88,825	15,966	72,859	16,819
Compensated absences	381,409	64,523	25,712	420,220	23,072
Premium on bonds	2,778,494	-	416,592	2,361,902	-
Total	$ 29,547,903	$ 153,348	$ 3,804,270	$ 25,896,981	$ 3,525,710

For governmental activities, compensated absences, capital leases, and installment contracts are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

$13,715,000 serial bonds due in annual installments of $ 2,355,000 through May 2019; interest at 4.0 percent	$ 2,355,000
$17,125,000 serial bonds due in annual installments of $ 760,000 to $ 3,360,000 starting May 1, 2019 through May 1, 2027; interest at 4.0 percent to 5.0 percent.	17,125,000
Total general obligation bonded debt	$ 19,480,000

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2019	$ 3,115,000	$ 877,350	$ 3,992,350
2020	3,235,000	752,750	3,987,750
2021	3,360,000	623,350	3,983,350
2022	1,665,000	455,350	2,120,350
2023	1,650,000	388,750	2,038,750
2024 - 2027	6,455,000	806,000	7,261,000
Total	$ 19,480,000	$ 3,903,550	$ 23,383,550

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $ 613,862 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were $ 106,114 and $ 997,300, respectively.

Capital Lease
The School District has a capital lease for office equipment. The future minimum lease payments are as follows:

Year ending June 30,	
2019	$ 20,220
2020	20,220
2021	20,220
2022	20,220
Total minimum lease payments	80,880
Less amount representing interest	(8,021)
Present value of minimum lease payments	$ 72,859

The assets acquired through capital leases are as follows:

Assets	
Equipment	$ 88,825
Less accumulated depreciation	(7,364)
Total	$ 81,461

Compensated Absences
Accrued compensated absences at year end, consist of $ 420,220 in accrued vacation and compensatory leave. This liability is reflected on the statement of net position of the Internal Service Fund.

Note 10 - Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation, as well as medical benefits provided to employees. The District participates in the SET-SEG risk pool (the "Pool") for property loss, general liability, fleet coverage, and errors and omissions. The Pool, organized under Public Act 138, is composed of Districts throughout the State of Michigan, who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The Pool retains the first $ 500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding, they could also assess the members' additional charges.

The District purchased commercial insurance for risk of loss related to health benefit claims to partially self-insure for the health benefits, dental, vision, and prescription. Under the plan, the District's maximum loss is limited to $ 65,000 specific stop loss and 120% aggregate stop loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Changes in the balance of claims liability as reported in the Internal Service Fund are as follows:

Estimated liability at the beginning of the year	$ 1,006,383
Estimated claims incurred including changes in estimates	4,128,083
Claim payments	(4,548,055)
Estimated liability at the end of the year	$ 586,411

Note 11 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions
Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were $ 5,716,578 for the year ending September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the School District reported a liability of $ 63,158,765 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was .2437 percent, which was an increase of .0059 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was $ 7,107,865.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 548,893	$ 309,907
Changes of assumptions	6,919,545	-
Net difference between projected and actual earnings on pension plan investments	-	3,019,404
Changes in proportion and differences between the School District contributions and proportionate share of contributions	2,025,737	694,624
School District contributions subsequent to the measurement date	6,017,556	3,015,975
Total	$ 15,511,731	$ 7,039,910

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future Pension Expenses)	
2018	$ 1,712,117
2019	2,623,120
2020	1,106,036
2021	28,967
Total	$ 5,470,240

Actuarial Assumptions
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
  - MIP and Basic Plans (Non-Hybrid): 7.5%
  - Pension Plus Plan (Hybrid): 7.0%

- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to

determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
$ 82,274,863	$ 63,158,765	$ 47,064,227

**The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Post-employment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions
Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were $ 1,893,460 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2018, the School District reported a liability of $ 21,537,031 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was .2432 percent, which was unchanged from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was $ 1,440,851.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 229,306
Net difference between projected and actual earnings on OPEB plan investments	-	498,803
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,300	-
School District contributions subsequent to the measurement date	1,533,355	-
Total	$ 1,534,655	$ 728,109

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future OPEB Expenses)		
2018	$	(175,658)
2019		(175,658)
2020		(175,658)
2021		(175,658)
2022		(24,177)
Total	$	(726,809)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return
For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate
A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 25,226,088	$ 21,537,031	$ 18,406,176

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate
The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 18,238,970	$ 21,537,031	$ 25,281,749

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan
There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

Note 14 - Tax Abatements

School Districts may receive reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the various municipalities within the School District boundaries. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2018, the School District's property tax revenues were not affected by these programs.

There are no significant abatements made by the School District.

Note 15 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by $ 20,608,621, restating it from ($ 39,769,738) to ($ 60,378,359).

REQUIRED SUPPLEMENTARY INFORMATION

Lakeview Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 3,266,843	$ 3,324,370	$ 3,347,593	$ 23,223
State sources	36,594,728	37,968,303	37,949,323	(18,980)
Federal sources	1,029,649	1,066,493	1,023,351	(43,142)
Interdistrict sources	1,737,822	1,934,993	1,922,993	(12,000)
Total revenues	42,629,042	44,294,159	44,243,260	(50,899)
Expenditures				
Instruction				
Basic programs	22,947,692	23,467,138	22,948,416	(518,722)
Added needs	4,546,350	5,050,233	4,832,667	(217,566)
Supporting services				
Pupil	3,443,564	3,595,641	3,482,198	(113,443)
Instructional staff	1,457,106	1,446,510	1,393,379	(53,131)
General administration	777,817	786,395	782,406	(3,989)
School administration	2,402,562	2,453,177	2,441,607	(11,570)
Business	606,336	582,199	659,788	77,589
Operations and maintenance	2,953,720	3,129,050	3,039,004	(90,046)
Pupil transportation services	451,390	389,731	347,145	(42,586)
Central	442,492	436,087	431,980	(4,107)
Athletic activities	851,833	883,681	854,469	(29,212)
Community services	902,287	949,423	953,655	4,232
Debt service				
Principal	346,000	450,791	361,966	(88,825)
Interest and fiscal charges	106,114	106,114	106,114	-
Total expenditures	42,235,263	43,726,170	42,634,794	(1,091,376)
Excess of revenues over expenditures	393,779	567,989	1,608,466	1,040,477

Lakeview Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Proceeds from capital leases	-	88,825	88,825	-
Transfers in	48,000	51,000	49,000	(2,000)
Transfers out	(120,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	(72,000)	(260,175)	(262,175)	(2,000)
Net change in fund balance	321,779	307,814	1,346,291	1,038,477
Fund balance - beginning	1,556,613	1,556,613	1,556,613	-
Fund balance - ending	$ 1,878,392	$ 1,864,427	$ 2,902,904	$ 1,038,477

Lakeview Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. School district's proportion of net pension liability (%)	0.2437%	0.2378%	0.2427%	0.2319%						
B. School district's proportionate share of the net pension liability	$ 63,158,765	$ 59,328,436	$ 59,268,414	$ 51,088,419						
C. School district's covered-employee payroll	$ 20,702,531	$ 19,891,443	$ 20,234,493	$ 20,426,380						
D. School district's proportionate share of the net pension liability as a percentage of its covered- employee payroll	305.08%	298.26%	292.91%	250.11%						
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Lakeview Public Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	$ 6,256,109	$ 5,728,343	$ 5,491,422	$ 4,560,933						
B. Contributions in relation to statutorily required contributions	6,256,109	5,728,343	5,491,422	4,560,933						
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -						
D. School district's covered-employee payroll	$ 21,249,813	$ 21,304,353	$ 20,465,790	$ 20,522,824						
E. Contributions as a percentage of covered-employee payroll	29.44%	26.89%	26.83%	22.22%						

Lakeview Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. School district's proportion of net OPEB liability (%)	0.2432%									
B. School district's proportionate share of the net OPEB liability	$ 21,537,031									
C. School district's covered-employee payroll	$ 20,702,531									
D. School district's proportionate share of the net OPEB liability as a percentage of its covered- employee payroll	104.03%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

Lakeview Public Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30, 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	$ 1,608,477									
B. Contributions in relation to statutorily required contributions	1,608,477									
C. Contribution deficiency (excess)	$ -									
D. School district's covered-employee payroll	$ 21,249,813									
E. Contributions as a percentage of covered-employee payroll	7.57%									

OTHER SUPPLEMENTARY INFORMATION

Lakeview Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Food Service	Debt Serivce Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash	$ 533,707	$ 310,012	$ 170,567	$ 1,014,286
Investments	424,935	303,138	38	728,111
Taxes receivable	-	6,007	-	6,007
Accounts receivable	510	712	-	1,222
Due from other governmental units	9,645	-	-	9,645
Inventory	4,086	-	-	4,086
Total assets	$ 972,883	$ 619,869	$ 170,605	$ 1,763,357
Liabilities				
Accounts payable	$ 833	$ -	$ 10,560	$ 11,393
Due to other funds	653,864	-	-	653,864
Unearned revenue	21,097	6,007	-	27,104
Total liabilities	675,794	6,007	10,560	692,361
Fund Balance				
Non-spendable				
Inventory	4,086	-	-	4,086
Restricted for				
Food service	293,003	-	-	293,003
Debt service	-	613,862	-	613,862
Committed for capital projects	-	-	160,045	160,045
Total fund balance	297,089	613,862	160,045	1,070,996
Total liabilities and fund balance	$ 972,883	$ 619,869	$ 170,605	$ 1,763,357

Lakeview Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Food Service Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues				
Local sources	$ 467,326	$ 4,162,746	$ 56	$ 4,630,128
State sources	54,251	27,881	-	82,132
Federal sources	741,843	-	-	741,843
Interdistrict sources	-	146	-	146
Total revenues	1,263,420	4,190,773	56	5,454,249
Expenditures				
Current				
Education				
Food services	1,121,479	-	-	1,121,479
Facilities Acquisition	-	-	276,064	276,064
Debt service				
Principal	-	3,000,000	-	3,000,000
Interest and other expenditures	-	999,260	-	999,260
Total expenditures	1,121,479	3,999,260	276,064	5,396,803
Excess (deficiency) of revenues over expenditures	141,941	191,513	(276,008)	57,446
Other Financing Sources (Uses)				
Transfers in	-	-	400,000	400,000
Transfers out	(49,000)	-	-	(49,000)
Total other financing sources (uses)	(49,000)	-	400,000	351,000
Net change in fund balance	92,941	191,513	123,992	408,446
Fund balance - beginning	204,148	422,349	36,053	662,550
Fund balance - ending	$ 297,089	$ 613,862	$ 160,045	$ 1,070,996